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TO: WIB Directors, WIB Chairs
WIB Chief Elected Officials
WIB Fiscal Agents

FROM: Alan D. Degner
Commissioner

DATE: April 21, 2003

SUBJECT: DWD Policy 2002-36
Subrecipient Audit Policy

Purpose: To issue policy and provide uniform guidelines on the procurement of audits and the audit requirements regarding Grant Recipient (GR) and/or Administrative Entity (AE) subrecipients. This is to ensure that audits are performed in accordance with the applicable OMB Circulars, Indiana Code (IC) and Federal Regulations.

Recission: DWD COMMUNICATION C97P-2051

Content: All GR subrecipients that receive Public Financial assistance funds passed down through the Department of Workforce Development must have an audit conducted in accordance with this policy. The minimum requirements are as follows:

1. State and local governmental agencies must be audited in accordance with OMB Circular A-128, and IC-5-11-1-9 as amended by Public Law 70 (PL 70). These audits will be conducted by the State Board of Accounts.
2. Not-for-Profit Entities and Institutions of Higher Education organizations must be audited in accordance with OMB Circular A-133 and IC-5-11-1-9 as amended by PL 70. These audits must be conducted by an Independent Public Accountant. IPA's are Certified Public Accountants and Public Accounts licensed to practice public accounting in the State of Indiana.
3. Commercial Organizations must be audited in accordance with 20 CFR 627.480(a)(3). In addition, a commercial organization which is a GR subrecipient and disburses \$25,000 or more in a year in DWD financial assistance to operate programs will have an audit that:
 - a. Is conducted by an Independent Public Accountant
 - b. Is completed and submitted within nine (9) months after the end of the organization's fiscal year
 - c. Is program specific for all DWD pass through funds regardless of the program expenditure

Public Law 70 amended IC 5-11-1-9 thus affecting the audit requirements of non-governmental entities receiving government funds. PL 70 raised the thresholds of government funds disbursed to \$60,000, and the percentage of government funds disbursed to 50%.

All entities are required by IC 5-11-1-4 to file an Entity Annual Report (form E-1) with the State Board of Accounts. The E-1 form is due within thirty (30) days after the entity's fiscal year end. The State Board of Accounts (SBA) has the responsibility for the audit oversight in the State of Indiana. Therefore, any request for a waiver of audit must be submitted to the SBA.

The waiver of audit is assumed by the State Board of Accounts, and will be granted if the State Examiner, through other means, can determine the disbursement of public funds was made for the purposes intended.

A waiver granted by the State Examiner applies only to an audit required by IC 5-11-1-9. It does not waive any other audits that might be required by Federal OMB Circulars, Code of Federal Regulations, or contractual agreements with the grantor agencies. Therefore, it is possible that an entity receiving a waiver from the State Board of Accounts will still be required to have an audit performed.

Auditor Selection

Audit services shall be procured in accordance with the procurement standards prescribed in the DWD Procurement Policy, OMB Circulars A-102 Attachment O, and A-110 Subpart C, Part 44, and 20 CFR 627.420. The services of an Independent Public Accountant are required.

Audit Plan

All Grant Recipients/Administrative Entities must have an approved Subrecipient Audit Plan on file with the DWD Oversight Division. The Audit Plan must define all aspects of the DWD Communication audit process to include at a minimum:

- a. Audit frequency
- b. Procurement procedures
- c. Respondent evaluation criteria
- d. Selection process
- e. Audit Report submission to DWD

An Audit Plan must be submitted to the DWD Oversight Division for review and approval once every two years beginning in Program Year 1998. A revised Audit Plan must be submitted when changes are made to the existing approved plan. If the Audit Plan does not change from one period to the next, then a letter stating that the existing plan is still in effect must be sent to the DWD Oversight Division.

The Audit Plan must be submitted to the DWD Oversight Division no later than May 1 of the preceding program year.

Any questions regarding this matter should be addressed to the Oversight Division at (317) 233-6082.

Effective Date: Communication transmittal date

Review Date: April 11, 2005

Action: Inform appropriate staff of this policy.

Ownership: DWD Oversight Division